

Message Text

UNCLASSIFIED

PAGE 01 OTTAWA 01846 01 OF 02 112337Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 ABF-01 AGRE-00 /104 W
-----089523 112344Z /64

R 112323Z APR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 7003
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

UNCLAS SECTION 01 OF 02 OTTAWA 01846

DEPT. PASS CEA, TREAS, FRB

E.O. 11652:N/A
TAGS: ECON, EFIN, CA
SUBJECT: ECONOMIC DEVELOPMENTS: WEEK ENDING APRIL 7.

1. SUMMARY. GOC INTRODUCED MODERATELY STIMULATORY,
POLITICALLY BALANCED FY 1978/79 BUDGET APRIL 10 (SEE
OTTAWA 1814). EXCHANGE MARKETS NOT IMPRESSED BY APRIL 3
HIKE IN BANK OF CANADA DISCOUNT RATE AND INCREASE IN
STANDBY CREDIT. EXCHANGE RATE FAILED TO RECOVER FROM
MONDAY'S TAIL SPIN. FEDERAL BUDGET DEFICIT ROSE IN FEBRU-
ARY. AUTO SALES ARE DOWN. IN 12 MONTHS TO FEBRUARY,
RISE IN FOREIGN VISITORS TO CANADA EXCEEDED INCREASE IN
CANADIAN TRAVEL ABROAD. UNEMPLOYMENT RATE ROSE TO 8.6
PERCENT IN MARCH (SEE SEPTEL). SHORT TERM INTEREST RATES
AND CHARTERED BANK PRIME RATES ROSE DURING WEEK IN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 01846 01 OF 02 112337Z

RESPONSE TO RISE IN DISCOUNT RATE. UNIT LABOR COSTS IN
1977 ROSE BY TO 6.3 PERCENT, DOWN FROM 8.2 PERCENT IN
PREVIOUS YEAR. END SUMMARY.

2. GOC INTRODUCED MODERATELY STIMULATORY BUDGET APRIL 10.
BUDGET FEATURES GOC FUNDING OF CUTS IN PROVINCIAL SALES
TAX AND SEVERAL TAX MEASURES TO STIMULATE INVESTMENT (SEE

OTTAWA 1814). COPIES OF DOCUMENT POUCHED TO WASHINGTON.

3. EXCHANGE RATE. EXCHANGE MARKETS WERE NOT IMPRESSED BY APRIL 3 HIKE IN BANK RATE AND INCREASE IN GOC STANDBY CREDIT (OTTAWA 1652), NOR IN REPORTED DRAWDOWN AND CONVERSION BY HYDRO QUEBEC OF U.S.DOLS 100 MILLION IN ITS EXISTING LINE OF SHORT TERM CREDIT. DOLLAR RECOVERED BRIEFLY TO 88.30 U.S. CENTS AT TUESDAY'S OPENING, BUT QUICKLY LOST GROUND AND CLOSED AT 87.70 U.S. CENTS. EXCHANGE RATE SUBSEQUENTLY DRIFTED UPWARD, CLOSING AT 87.93 U.S. CENTS ON THURSDAY, BUT GAVE WAY TO RENEWED SELLING PRESSURE ON FRIDAY. CLOSING RATE ON FRIDAY WAS 87.57 U.S. CENTS.

4. DURING PARLIAMENTARY QUESTION PERIOD, POLITICAL OPPOSITION SEVERELY CRITICIZED GOC EXCHANGE RATE POLICY AND ASKED WHETHER GOC HAD PLANS TO HALT FLOW OF INVESTMENT CAPITAL OUT OF CANADA. FINANCE MINISTER CHRETIEN ASSERTED GOC HAD NO SUCH INTENTION.

5. ECONOMIC INDICATORS.

-- UNEMPLOYMENT TOSE TO 8.6 PERCENT IN MARCH FROM FEBRUARY LEVEL OF 8.3 PERCENT. LABOR FORCE, TOTAL EMPLOYMENT AND UNEMPLOYMENT ROSE STRONGLY. (SEE SEPTTEL)

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 01846 01 OF 02 112337Z

-- FEDERAL GOVERNMENT BUDGET DEFICIT WAS CDOLS 1.24 BILLION IN FEBRUARY, BRINGING CUMULATIVE DEFICIT FOR FIRST 11 MONTHS OF FISCAL YEAR TO CDOLS 7.85 BILLION. IN FISCAL YEAR TO DATE, REVENUES WERE CDOLS 28.9 BILLION, UP ONLY 0.6 PERCENT FROM COMPARABLE PERIOD LAST YEAR, WHILE EXPENDITURES TOTALLED CDOLS 36.8 BILLION, AN 11.2 PERCENT RISE. CHRETIEN ANNOUNCED FINANCING REQUIREMENTS FOR FULL TWELVE MONTHS WAS CDOLS 8.5 BILLION, DOWN CDOLS 300 MILLION FROM PREVIOUS ESTIMATES, AS RESULT OF PRUDENT MANAGEMENT.

-- SALES OF NORTH AMERICAN-BUILT AUTOMOBILES FELL 6 PERCENT IN MARCH TO 73,703 UNITS FROM 77,866 IN MARCH, 1977. AUTO SALES HAVE REGISTERED 12 MONTH DECLINEIN FOUR SUCCESSIVE MONTHS.

-- AIB FOOD PRICE INDEX ADVANCED 1.1 PERCENT IN FOUR WEEKS ENDING MARCH 17. OVERALL RISE LED BY SHARP INCREASE IN PRICES OF FRESH FRUIT, CHICKEN AND BEEF.

-- PRELIMINARY STATCAN FIGURES FOR 1977 INDICATE THAT PRODUCTIVITY (OUTPUT PER MAN HOUR) ROSE BY 2.5 PERCENT IN

COMMERCIAL INDUSTRIES OVERALL AND BY 4 PERCENT IN MANUFACTURING. COMPENSATION PER MAN HOUR INCREASED BY 9.6 PERCENT AND 9.1 PERCENT IN THESE SECTORS RESPECTIVELY. UNIT LABOR COSTS ADVANCED BY 6.3 PERCENT AND 5.9 PERCENT. IN 1976, RISE IN UNIT LABOR COSTS WAS 8.2 PERCENT IN COMMERCIAL INDUSTRIES AND 9.1 PERCENT IN MANUFACTURING. FIGURES FOR 1977 THUS REPRESENT SUBSTANTIAL DECELERATION IN GROWTH OF UNIT LABOR COSTS FROM PREVIOUS YEAR.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 OTTAWA 01846 02 OF 02 112338Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 ABF-01 AGRE-00 /104 W
-----089502 112344Z /64

R 112323Z APR 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 7004
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

UNCLAS SECTION 02 OF 02 OTTAWA 01846

-- ACCORDING TO PRELIMINARY TRAVEL STATISTICS, U.S. VISITORS TO CANADA TOTALLED 1.3 MILLION IN FEBRUARY, AN INCREASE OF 3 PERCENT FROM FEBRUARY, 1977. NUMBER OF CANADIANS VISITING U.S. ROSE 2.7 PERCENT TO 2.2 MILLION. VISITORS TO CANADA FROM COUNTRIES OTHER THAN U.S. ROSE BY 6.1 PERCENT OVER PERIOD, WHILE CANADIAN VISITS TO THESE COUNTRIES INCREASED BY 4.5 PERCENT.

6. CAPITAL MARKETS. IN RESPONSE TO INCREASE FROM 8.0 TO 8.5 PERCENT IN BOC DISCOUNT RATE, CHARTERED BANK PRIME RATES ROSE FROM 8.75 PERCENT TO 9.25 PERCENT. SHORT TERM INTEREST RATES HAVE ALSO RISEN. INTEREST RATE ON THREE MONTH TREASURY BILLS WAS 8.09 PERCENT IN WEEK COMPARED

WITH 7.73 PERCENT PREVIOUS WEEK. DIFFERENTIAL BETWEEN
CANADIAN AND U.S. INTEREST RATES ON THREE MONTH TREASURY
BILLS STANDS AT 168 BASIS POINTS. INCREASE IN DISCOUNT
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 01846 02 OF 02 112338Z

RATE HAD LITTLE EFFECT ON BOND PRICES. ENDERS

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DATA, ECONOMIC CONDITIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978OTTAWA01846
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780156-0504
Format: TEL
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780470/aaaachnx.tel
Line Count: 180
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8d9af0b2-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3009662
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS: WEEK ENDING APRIL 7.
TAGS: ECON, EFIN, CA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/8d9af0b2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014